

DISAPPROVAL OF MOST-FAVORED-NATION TREATMENT  
FOR CHINA

---

JULY 17, 1995.—Committed to the Committee of the Whole House on the State of  
the Union and ordered to be printed

---

Mr. ARCHER, from the Committee on Ways and Means,  
submitted the following

ADVERSE REPORT

together with

MINORITY AND DISSENTING VIEWS

[To accompany H.J. Res. 96]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the joint resolution (H.J. Res. 96) disapproving the extension of non-discriminatory treatment (most-favored-nation treatment) to the products of the People's Republic of China, having considered the same, report unfavorably thereon and recommend that the joint resolution do not pass.

**I. INTRODUCTION**

**A. PURPOSE AND SUMMARY**

H.J. Res. 96 would disapprove the extension of nondiscriminatory treatment (most-favored-nation treatment) to the products of the People's Republic of China.

**B. BACKGROUND**

Prior to 1951, the United States extended nondiscriminatory, or most-favored-nation (MFN) treatment, to all of its trading partners, in accordance with obligations undertaken when the United States joined the General Agreement on Tariffs and Trade (GATT) in 1948. However, the Trade Agreements Extension Act of 1951, di-

rected the President to withdraw or suspend the MFN status of the Soviet Union and all countries under the domination of international communism. As implemented, this directive was applied to all then-existing communist countries except Yugoslavia. Poland's MFN status was restored by Presidential directive in 1960.

Title IV of the Trade Act of 1974, which includes the so-called "Jackson-Vanik amendment," represented a liberalization of the 1951 law. Title IV authorizes the extension of MFN treatment to nonmarket economies which meet freedom of emigration requirements and conclude a commercial agreement with the United States. Title IV authorizes the President to waive the freedom-of-emigration requirements of that title, and to grant MFN status to a nonmarket economy country, if he determines that doing so will substantially promote the freedom-of-emigration objectives of that title.

MFN status was first granted to the People's Republic of China on February 1, 1980, and has been renewed annually since then on the basis of Presidential waivers. (A bilateral commercial agreement, as required by the Jackson-Vanik amendment, has remained in force during that time.) On June 2, 1995, the President, formally transmitted to the Congress his recommendation to waive, once again, the 1974 Trade Act's freedom-of-emigration requirements and to thereby extend China's MFN status for an additional year, beginning July 3, 1995 (H.Doc. 104-82).

The President's waiver authority under Title IV expires at midnight on July 2 of each year. It may be extended on an annual basis upon a Presidential determination and report to Congress that such extension will substantially promote the freedom-of-emigration objectives of the 1974 Trade Act. The waiver authority continues in effect unless disapproved by the Congress—either generally or with respect to a specific country—within 60 calendar days after the expiration of the existing authority. Under Title IV amendments adopted as part of the Customs and Trade Act of 1990, disapproval takes the form of a joint resolution disapproving the extension of Presidential authority to waive the 1974 Trade Act's freedom-of-emigration requirements. Under the 1990 amendments, Congress has 15 legislative days, in addition to the 60 calendar days for initial passage, to consider any veto message. The disapproval resolution is privileged for a Member. This generally guarantees a vote in the House if it is introduced.

If both chambers of Congress do not pass a resolution of disapproval within the 60 calendar days following the July 2, 1995 expiration of the existing waiver authority, China's MFN status is automatically renewed through July 2, 1996. House Joint Resolution 96 was introduced by Representative Wolf (R., Va.) on June 16, 1995. The resolution provides for disapproval of extension of the waiver authority recommended by the President on June 2 with respect to China for the period beginning July 3, 1995.

### C. LEGISLATIVE HISTORY

#### *Committee bill*

House Joint Resolution 96 was introduced on June 16, 1995, by Representative Wolf (R., Va.), and was referred to the Committee

on Ways and Means. On June 20, 1995, the Committee ordered House Joint Resolution 96 reported adversely without amendment to the House by a recorded vote of 27 ayes, 7 noes.

*Legislative hearing*

The Subcommittee on Trade held a hearing May 23, 1995 on the question of renewing China's most-favored-nation trade status. At this hearing, Members of Congress, as well as representatives of the Administration and the business community expressed their views regarding U.S.-China trade relations. Earlier in the year, on March 9, 1995 the Subcommittee received testimony from United States Trade Representative, Ambassador Mickey Kantor on the intellectual property rights agreement signed with the People's Republic of China on February 6, 1995, and on prospects for China's accession to the World Trade Organization.

## **II. EXPLANATION OF THE BILL**

*Present law*

Title IV of the Trade Act of 1974, as amended by the Customs and Trade Act of 1990 (Public Law 101-382), sets forth three requirements relating to freedom of emigration which must be met, or waived by the President, in order for a nonmarket economy country to be granted MFN treatment. Title IV also requires that a bilateral commercial agreement that provides for nondiscriminatory, MFN status remains in force between the United States and the nonmarket economy country receiving MFN status. Title IV also sets forth minimum provisions that must be included in such an agreement.

An annual Presidential recommendation under section 402(d) for a 12-month extension of authority to waive the Jackson-Vanik freedom-of-emigration requirements—either generally, or for specific countries—may be disapproved through passage by Congress of a joint resolution of disapproval within 60 calendar days after the expiration of the previous waiver authority. An additional 15 legislative days, following the 60 calendar day period for initial passage, is available for consideration of any veto message.

*Explanation of the resolution*

House Joint Resolution 96 states that the Congress does not approve the extension of the waiver authority contained in section 402(c) of the Trade Act of 1974, recommended by the President to the Congress on June 2, 1995, with respect to the People's Republic of China.

*Reasons for Committee action*

The Committee reports Congressman Wolf's disapproval resolution adversely, primarily because the Members, in general, support the Administration's policy, which delinks MFN status from human rights considerations. The Committee is convinced that non-discriminatory tariff treatment is the cornerstone of a policy of engagement and increased trade, which enables the U.S. to influence the growth of democratic and market-oriented policies in China, in a manner which will improve respect for fundamental human

rights. The Committee, in general, recognizes that disapproving the President's recommendation for an extension of China's MFN status would permanently sacrifice U.S. leverage to bring about change in China, while at the same time harming U.S. exporters.

Withdrawing MFN for China would also have a serious adverse effect on Taiwan and Hong Kong due to the high level of trade and investment between Hong Kong and China, and between Taiwan and China. Finally, the majority of Members believed that revoking China's MFN status as of July 3 of this year is too blunt a sanction that would undermine U.S. Government efforts to bring China into the global community of civilized nations. While the U.S. has many serious problems with China, the Committee believes they are best addressed through expanding the involvement of U.S. citizens in Chinese society, and making full use of U.S. trade statutes where necessary.

### III. VOTES OF THE COMMITTEE

In compliance with clause 2(l)(2)(B) of rule XI of the Rules of the House of Representatives, the following statement is made relative to the vote of the Committee in its consideration of House Joint Resolution 96:

#### MOTION TO REPORT THE BILL

House Joint Resolution 96 was ordered adversely reported without amendment by a recorded vote of 27 ayes, 7 noes on June 20, 1995, with a quorum present. The roll call vote was as follows:

YEAS	NAYS
Mr. Archer	Mr. Bunning
Mr. Crane	Mr. Johnson
Mr. Thomas	Mr. Ensign
Mr. Shaw	Mr. Christensen
Mrs. Johnson	Mr. Rangel
Mr. Houghton	Mr. Cardin
Mr. Herger	Mr. Lewis
Mr. McCrery	
Mr. Hancock	
Mr. Cramp	
Mr. Ramstad	
Mr. Zimmer	
Mr. Nussle	
Ms. Dunn	
Mr. Collins	
Mr. Portman	
Mr. English	
Mr. Gibbons	
Mr. Jacobs	
Mr. Matsui	
Mrs. Kennelly	
Mr. Coyne	
Mr. Levin	
Mr. McDermott	
Mr. Kleczka	

Mr. Payne  
Mr. Neal

#### IV. BUDGET EFFECTS

##### A. COMMITTEE ESTIMATE OF BUDGETARY EFFECTS

In compliance with clause 7(a) of the rule XIII of the Rules of the House of Representatives, the following statement is made concerning the effects on the budget of this bill, House Joint Resolution 96 as reported: The Committee agrees with the estimate prepared by CBO which is included below.

##### B. STATEMENT REGARDING NEW BUDGET AUTHORITY AND TAX EXPENDITURES

In compliance with subdivision (c) of clause 2(l)(3) of rule XI of the Rules of the House of Representatives, the Committee states that the provisions of H.J. Res 96 do not involve any new budget authority, or any decrease in revenues or tax expenditures. Enactment of H.J. Res 96 would increase customs duty receipts due to higher tariffs imposed on goods from China.

##### C. COST ESTIMATE PREPARED BY THE CONGRESSIONAL BUDGET OFFICE

In compliance with subdivision (c) of clause 2(l)(3) of rule XI of the Rules of the House of Representatives, requiring a cost estimate prepared by the Congressional Budget Office, the following report prepared by CBO is provided.

U.S. CONGRESS,  
CONGRESSIONAL BUDGET OFFICE,  
*Washington, DC, June 22, 1995.*

Hon. BILL ARCHER,  
*Chairman, Committee on Ways and Means, House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has reviewed H.J. Res. 96, a joint resolution disapproving the President's recommendation to extend most-favored-nation (MFN) status to the People's Republic of China, as adversely reported on June 20, 1995, by the Committee on Ways and Means. CBO estimates that disapproving the extension of MFN status to the People's Republic of China would increase receipts by \$173 million in fiscal year 1995 and \$518 million in fiscal year 1996.

Under the Trade Act of 1974, MFN status may not be conferred on a country with a nonmarket economy if that country maintains restrictive emigration policies. Under present law, however, the President may waive this prohibition on an annual basis if he certifies that granting MFN status would promote freedom of emigration in that country. The People's Republic has received MFN status through presidential proclamation on an annual basis beginning in 1980. On June 2, 1995, President Clinton transmitted to Congress his intention to waive the emigration prohibition and extend MFN status to the People's Republic of China for an additional year, beginning July 3, 1995. H.J. Res. 96 would disapprove the President's recommendation to extend MFN treatment.

If the People's Republic were denied MFN status, tariff rates on its exports to the U.S. would rise substantially. The higher tariffs on these goods would increase the prices faced by U.S. consumers for the goods imported from the People's Republic, reducing demand. Therefore, imports to goods from the People's Republic would be lower than they would be if MFN status were to be extended. CBO estimates that the increased tariff rates caused by the loss of MFN status would cause an overall increase in customs duty receipts measured relative to revenues generated under continued MFN status because the increase in revenues from the higher tariffs would outweigh the reduction in revenues from the reduced level of imports from the People's Republic. In addition, it is likely that some of the decline in U.S. imports from the People's Republic will be made up by an increase in imports from other countries. In the absence of specific data on the likely size of this substitution effect, CBO assumes that an amount equal to one-half of the decline in U.S. imports from the People's Republic will be imported, at MFN rates, from other countries. The budget effects of the bill are shown in the following table.

## REVENUE EFFECTS OF H.J. RES. 96

[By fiscal year, in billions of dollars]

	1995	1996	1997	1998	1999	2000
Projected revenues under current law <sup>1</sup> .....	1,354.965	1,417.619	1,475.210	1,546.076	1,617.969	1,697.155
Proposed changes .....	0.173	0.518	0	0	0	0
Projected revenues under H.J. Res. 96 .....	1,355.138	1,418.137	1,475.210	1,546.076	1,617.969	1,697.155

<sup>1</sup> Includes the revenue effects of P.L. 104-7 (H.R. 831).

Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts through 1998. CBO estimates that H.J. Res. 96 would affect receipts. Therefore, pay-as-you-go would apply. The pay-as-you-go impact is summarized below.

## PAY-AS-YOU-GO CONSIDERATIONS

[By fiscal year, in millions of dollars]

	1995	1996	1997	1998
Changes in outlays .....	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Changes in receipts .....	173	518	0	0

<sup>1</sup> Not applicable.

If you wish further details, please feel free to contract me or your staff may wish to contact Melissa Sampson.

Sincerely,

JAMES L. BLUM  
(For June E. O'Neill, Director).

## **V. OTHER MATTERS TO BE DISCUSSED UNDER THE RULES OF THE HOUSE**

### **A. COMMITTEE OVERSIGHT FINDINGS AND RECOMMENDATIONS**

With respect to subdivision (a) of clause 2(l)(3) of rule XI of the Rules of the House of Representatives (relating to oversight findings), the Committee, based on public hearing testimony and information from the Administration, believes that revoking China's MFN status as of July 3, 1995 would be unwise and counter-productive.

### **B. SUMMARY OF FINDINGS AND RECOMMENDATIONS OF THE COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT**

With respect to subdivision (D) of clause 21(l)(3) of rule XI of the Rules of the House of Representatives, no oversight finding or recommendations have been submitted to the Committee by the Committee on Government Reform and Oversight with respect to subject matter contained in the resolution.

### **C. INFLATIONARY IMPACT STATEMENT**

In compliance with clause 2(l)(4) of rule XI of the Rules of the House of Representatives, the Committee states that House Joint Resolution 96 would have an inflationary impact on prices and costs in the operation of the national economy.

#### MINORITY VIEWS OF CONGRESSMAN BEN CARDIN

I was most disappointed in the Committee's vote to recommend disapproval of House Resolution 96. I remain committed to the importance of the United States using trade as a tool to advance human rights and freedom around the world. Passage of H.J. Res. 96 would support the long-standing linkage of favorable trade access to this Nation and respect for human rights. Breaking this link would be giving up something that is fundamental to this Nation—something that makes us unique and successful in the world. We would be sacrificing our principles for short term economic gains.

Tying trade to human rights has worked. A generation of Soviet emigres prospering in new homes around the world; the piece of the Berlin Wall I keep in my office; the historic elections and new-found freedoms celebrated in South Africa, all speak to the success of our Nation taking a stand. Using access to American markets has been a crucial tool to effect change abroad through peaceful means.

There is a reason protestors in Tiananmen Square carried a home-made Statue of Liberty. From our founding days the United States of America has been a beacon of freedom. Our Nation has held out hope to freedom-loving people throughout the world. Time and again Americans have fought and died to protect freedom in this Nation and around the world.

We should be proud of our leadership in human rights and support H.J. Res. 96.

BEN CARDIN.



DISSENTING VIEWS OF MESSRS. BUNNING, STARK, AND  
LEWIS

I am disappointed that the Committee voted to report unfavorably H.J. Res. 96. Once again, we have missed an opportunity to send a signal to the world about the deplorable condition of human rights in China.

I understand that the current Administration has delinked trade policy from discussion of human rights. But, simply put, China's record of suppressing individual liberty has been so heinous that I feel compelled to support revoking Most Favored Nation status for Beijing.

For years the proponents of MFN for China have told us how expanding trade and economic investment for the Chinese are the keys to improving the human rights situation in that nation. This position has not been vindicated. Over six years have passed since the horror of Tiananmen Square, but the ghosts of this massacre still haunt the annual debate over China and MFN.

There are many recent examples of the same sort of suppression of human rights that is still occurring in China as the students in Tiananmen faced in 1989. Last April, police detained seventeen Chinese for organizing an Easter Mass. According to one observer group, several of the women detained were beaten so badly they were unable to eat. Another group of Chinese Christians was recently arrested for holding a theological training class for new pastors. These worshipers were reportedly kicked and beaten for their "crimes"; some had their heads shaved. A third group of Chinese House Church leaders were arrested in April for holding an unregistered religious meeting and secretly using a photocopy machine to reproduce theological teaching material.

That photocopying material would be considered a punishable offense is laughable were it not true.

Probably the most disturbing practice in China right now is its forced abortion and sterilization policy. Beijing's answer to population control is a "one child" per family policy that forces sterilization and abortion on its own families.

To my mind this practice is beneath contempt, as was the recent action by the Clinton Administration to deny recently asylum to the small group of women who fled China because they did not want to be forced to abort their children or give up their ability to have more children.

Every country has the right to govern itself, but that does not mean that we have to agree with them or tacitly support them. By granting China another year of MFN status, we are implicitly backing a nation that maims its own people.

Simply because there are 1.3 billion potential consumers of American goods in China does not mean that we should sacrifice our principles. Our support for democracy and human rights simply

should not be predicated on short-term economic gain. China's treatment of its own people is barbarous, and granting another year of MFN only amounts to quiet complicity with China's barbaric policies.

The policy of attempting to foster better human rights conditions in China by dangling the carrot of MFN status as a reward for better behavior is not working. Instead, I believe that it is time to try to stick. The stick that I see that the U.S. has at its disposal is withdrawal of MFN.

China simply does not deserve any sort of preferential trade status with the U.S. and I strongly support rejecting extension of MFN status.

JIM BUNNING.  
PETE STARK.  
JOHN LEWIS.

DISSENTING VIEWS OF CONGRESSMEN JOHN LEWIS AND  
PETE STARK

I strongly support H.J. Res. 96 and was disappointed that it did not pass the Committee. We should not give Most Favored Nation status to China while human rights abuses continue, and China remains unwilling to change.

Human rights abuses have continued since Tiananmen Square. There are slave labor camps in China and Tibet. Political prisoners are brutally tortured. Democratic reformers are imprisoned. Religious leaders are imprisoned.

There have been no movement on beginning discussion between the Dalai Lama and the Chinese government regarding a satisfactory solution for Tibet. In addition, a marked deterioration of human rights conditions since 1994 in China and Tibet has been documented, especially regarding religious freedom.

It has also been revealed that in the last year China has delivered important components for missiles to Iran, one of the world's leading terrorist nations. Furthermore, the United States's trade deficit with China has increased from \$3.5 billion before Tiananmen Square to \$30 billion today.

China is not acting in good faith. We should not reward China for doing nothing, for not moving toward democracy as it has promised to do.

Human rights is and should be an important foreign policy goal. China's human rights and other abuses continue, and without a strong statement from the United States, China has no incentive to change.

We cannot have trade at any cost, and the price for MFN for China is too high. MFN for China should not be approved.

JOHN LEWIS.  
PETE STARK.

DISSENTING VIEWS OF CONGRESSMEN PETE STARK AND  
JOHN LEWIS

We support the resolution to end Most Favored Nation status for the People's Republic of China.

There are some things in life more important than trade; there are some things more important than making an extra buck. Trading with people who have a monstrous human rights record betrayed the principles on which this nation was founded. Trading with a nation that is blatantly contributing to nuclear weapon and missile proliferation among terrorist states is immoral—and stupid beyond words.

People say we don't have leverage with the PRC. We have tremendous leverage with China. We are the only nation in the world with which they run a \$35-to-\$37 billion trade surplus. We are the only nation in the world that would allow such a one-sided trade flow. We believe China's leadership is likely to go a long way to keep access to our market. If they don't change—if we are wrong in this view—we will still have done the moral thing. We will still have been true to our principles and to the long-run security needs of our nation.

We urge support of the Resolution.

PETE STARK.  
JOHN LEWIS.

